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Ottawa, November 9, 2006
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Canada's New Government Strengthens the Income Tax System

Related Documents:

- Backgrounder
- Notice of Ways and Means Motion to introduce an Act to amend the Income Tax Act, including amendments in relation to foreign investment entities and non-resident trusts, and to provide for the bijural expression of the provisions of that Act
- Explanatory Notes to Legislative Proposals Relating to Income Tax

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The Honourable Jim Flaherty, Minister of Finance, today tabled a Notice of Ways and Means Motion in the House of Commons to prevent tax deferral and avoidance through the use of foreign investment funds and trusts. The Motion proposes to tighten the income tax rules, responding to concerns raised by the Auditor General.

"Our new government is committed to a tax system that is both competitive and fair," said Minister Flaherty. "The Motion we tabled today will amend existing income tax rules to help ensure that income earned by Canadians through foreign jurisdictions, including tax havens, is subject to tax as if it had been earned in Canada."

The measures in the Motion relate principally to the taxation of income that is earned through the use of non-resident trusts and foreign investment entities. The measures generally follow the draft legislative proposals released for comment in 2005 and have been amended to generally take effect only for taxation years that begin after 2006.

The Motion also includes a number of technical amendments to update the Income Tax Act and ensure the law reflects government policy. In this regard, the Motion would correct or clarify the application of existing provisions, implement measures that have already been announced, or deal with other income tax situations that require a legislative response.

Background information and revised explanatory notes are appended to this news release. References to "Announcement Date" in the proposed legislation and explanatory notes should be read as referring to today's date.

The legislative proposals and explanatory notes are available on the Department of Finance website. Printed copies of the legislative proposals and explanatory notes are available for $55 and $35 respectively from the Department of Finance Distribution Centre at 613-995-2855.

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